

COORDINATION NOTICE

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION WHITEFISH NEIGHBORHOOD PLAN AREA

August 2, 2006

Introduction

In order to efficiently receive and process proposals for projects associated with the Whitefish Neighborhood Plan (WNP), the State Board of Land Commissioners adopted a set of specific procedures to evaluate proposed actions. These procedures require that the local Department of Natural Resources & Conservation (DNRC) field office summarize proposals presented in Letters of Interest and produce a **Staff Report**. The Staff Report includes the initial agency conclusions about each proposal, agency objectives, transaction options, and possible transaction partners.

The local field office then publishes a **Coordination Notice** that includes the Letter of Interest Summary and Staff Report to local governments, the public, beneficiaries, transaction partners, and key local legislators. Input received from this coordination process will be used by DNRC to determine:

- Transaction options i.e. land exchange, sale, easement, lease, etc.
- Process for public involvement
- Options for working with a Community Partner(s).
- Options for working with a local government entity.

DNRC has received three proposals. (1) The City of Whitefish has submitted a proposal titled "A Trail Runs Through It". They are requesting an agreement to allow the City to establish and manage a trail system; (2) Mike Goguen has proposed a land exchange; and, (3) a number of homeowners in the Brittel's Point of Pines subdivision have proposed actions to address septic and access issues within their subdivision.

The following information constitutes the first DNRC Coordination Notice for the Whitefish Neighborhood Plan.

Letter of Interest Summaries

A Trail Runs Through It

Transaction Options

The City of Whitefish would like to establish a recreational trail system that includes a continuous corridor encircling the greater Whitefish area (see attached map).

The primary mechanism associated with this transaction would be a long-term Intergovernmental Management Agreement between DNRC and the City of Whitefish. This transaction is pending legal review by DNRC, Whitefish partners, and the Attorney General's office. Under this Agreement, the City would construct, connect, maintain and manage a "floating" trail system. Trust beneficiaries would be compensated through increased sales of State General Recreational Use Permits purchased by Whitefish-area trail users, at a benchmark level to be established in the Agreement. Revenues would also be generated by an increased number of commercial use licenses, promoted and managed by the City and/or DNRC. The City also proposes to work with DNRC to implement other transaction options to perpetuate the trail plan for the Whitefish Neighborhood Plan area. The Department recommends approval of the Intergovernmental Trail

Management Agreement pending public comment, legal review, and establishment of permit sale benchmarks.

Traditional uses would continue to generate Trust revenue, including active forest management.

Goguen Recreational Land Exchange

Transaction Options

Mike Goguen is proposing a recreation-oriented land exchange involving a 440 acre State parcel north of Skyles Lake and a privately owned 560 acre parcel approximately 3 miles to the northwest. This proposal would permanently restrict the development potential of both parcels and reserve public trail access.

DNRC proposes that transactions would occur in the following order:

Step 1. Deed restriction—the State would be compensated for the value of the development potential on the 440 acre State parcel by the City of Whitefish in a manner that limits the parcel to two home sites, as outlined in the Whitefish Trust Lands Neighborhood Plan, and reserves the rights for a recreational access trail corridor using a deed restriction.

Step 2. Land exchange—Goguen and the State would complete the proposed land exchange transaction where the State would acquire the privately-owned 560 acre parcel in exchange for the State's deed-restricted 440 acre parcel.

Lease or license—Other deed restrictions or short term transactions (e.g. lease or license) necessary to complete the long-term project objectives could be completed prior to a land exchange.

These transactions would need to involve the City of Whitefish.

Revenue derived from traditional uses would continue on all State owned parcels.

Brittel's Point of Pines

Transaction Options

Various homeowners in the Brittel's Point-of-Pines subdivision would like to lease a parcel of Trust land on the north end of Whitefish Lake for a septic system and drain field. Other homeowners in the same subdivision would like to resolve access issues across Trust land adjacent to the subdivision (see attached map).

The transactions DNRC is considering would be:

1. Simultaneously address the septic and access issues:

Resolve the access and sanitation issues on private lands in a holistic fashion (possible land exchange, boundary adjustment, or land banking to advantage the Trust and disposal area to accommodate the private use issues).

2. Separately address the septic and access issues:

- a. Drain Field – The letter of interest was submitted by Jere Johnson, a Registered Sanitarian on behalf of eight landowners and suggests a “leased drainfield easement area”. Granting of an easement appears to be limited to existing systems that encroach onto trust lands as a corrective measure. A lease is an option that has been successfully used. Other possible options to meet this need could include disposal through land

exchange or sale, or forming an association and designing the drainfield with reserve area available to other area landowners including the WNP identified Trust Land homesites.

- b. Access – The letter of interest as submitted by Steven Cummings on behalf of the owners of Lots 20-27 of Brittel's Point of Pines states an interest in purchasing the subject lands. This appears to be a viable option. Simply correcting the access issue is relatively easy through either a lease, or a permanent easement. The latter options do not meet the stated ownership objective of the adjacent landowners, nor do these options consider the suggestion that this is the best opportunity for this parcel to produce Trust revenue.

Coordination Opportunities and Needs for the Proposals

1. The Trail Agreement between DNRC and the City of Whitefish should be completed before finalizing the Goguen land exchange proposal to prevent negative impacts to potential trail locations across State Trust lands.
2. The State should be compensated for development interests on the existing 440-acre Trust Land parcel to generate Trust revenue and meet the land exchange criteria for exchange values before completing the Goguen land exchange. Otherwise, it is likely that additional exchange property will need to be identified.
3. Exploring options to address the septic and access issues in one combined transaction should be evaluated before addressing the septic and access issues in separate transactions. This should include exploring ways to advantage the "6 potential homesites" identified for the Swift Creek Subarea of the WNP. At this stage no coordination needs have been identified between the Brittel's Point-of-Pines proposals and the trail or exchange proposals.

Sequencing and Timeframes

DNRC proposes the following sequence and timing of events:

1. DNRC to present the proposals to the State Land Board as an information item on September 18, 2006.
2. DNRC to complete a 15-day public comment period on the Staff Reports and Coordination Notice starting August 30, 2006.
3. During the 15-day comment period, DNRC would provide a written request to the Brittel's Point-of-Pines homeowners to solicit combined transaction options. During this timeframe, DNRC would also explore options with the City of Whitefish to purchase a deed restriction for the Trust Lands parcel identified in the Goguen land exchange proposal.
4. Following review of public comments on the Coordination Notice, the City of Whitefish and DNRC would enter into the Initiation Agreement to establish the Trail Agreement.
5. All remaining transaction sequencing and timing will be dependent upon the chosen transactions for the Brittel's Point of Pines and Goguen proposals. However, DNRC would prefer to determine the preferred transactions within 30 days of the end of the public comment period.
6. Additional public comment will occur as DNRC completes Montana Environmental Policy Act (MEPA) analysis necessary to complete proposed transactions.